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C O N F I D E N T I A L STATE 017502

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TAGS: ECON EFIN

SUBJECT: INFORMATION REQUEST IN ADVANCE OF G-20 MEETINGS

Classified By: EEB Acting DAS Sakaue for reasons 1.4 (b),(d)

¶1. (U) The following is an action request. Please see paragraphs five and six.

¶2. (C) In advance of the March 14 - 15 G-20 Finance Ministerial and the April 2 London Summit, Washington agencies are interested in Posts' outlook on the continuing impact of the economic and political situation on G-20 economies and on expected host country priorities and objectives for the London Summit.

¶3. (C) To facilitate USG preparation for the Summit, Posts are requested to provide information on country views of the current economic crisis and the upcoming London Summit and are also asked to report on responses to the crisis that may impose costs on other countries or otherwise potentially undermine international coordination, including the extent to which government decision makers are weighing those costs.

¶4. (C) While information gleaned from relevant conversations is welcome, please avoid approaching host officials with explicit "questionnaires" based on this request. Posts are asked to mark any information derived from open sources as SBU in order to ensure it can be included in briefing materials taken to the meetings mentioned above. Additional information, including Posts' analysis of the effects of the financial crisis on political stability, can be classified at a higher level. USEU and Embassy Prague are requested to provide input on Europe-wide effects of the crisis and views of the EC and current EU Presidency, respectively. Embassy Addis Ababa is requested to provide input and perspectives pertaining to Ethiopia's role as NEPAD Chair; Embassy Bangkok, for Thailand's role as ASEAN Chair.

¶5. (C) Action Request: Posts are requested to provide to Washington by OOB Wednesday, March 4 brief answers to the following questions. Posts that have already provided detailed reporting on the issues outlined in the questions should forward electronic copies of relevant cables and

emails, supplemented as appropriate.

Summary of Key Issues

-- Stimulus: What has been proposed thus far? What more is being considered? Is there capacity to implement current and potential future measures?

-- Financial Sector: What has been the approach to resolving bad assets: ring fencing, injection of capital, nationalization? On regulation: what changes, national or supranational reforms are being implemented or considered?

-- Real Economy: Have sensitive and vulnerable sectors been identified and protected? If so, by what means? Have governments commented on WTO commitments? What is the tenor of government and public discussion regarding protectionism?

-- Social/Labor Impact: What steps have been taken to address an increase in unemployment? Have governments extended or provided new benefits to assist the unemployed? How is this being funded? What is the level of public protest related to the economic crisis and government response?

-- Dimension of the Crisis: What are the concerns regarding scope and duration of the current economic situation? What are views on the impact on emerging markets? What is the exposure of cross-border financial institutions? Have any proposals been put forward to assist such markets and institutions?

-- Role of the G-20: How is the G-20 process viewed? What is the level of support for the process? How is the G-20 process seen in terms of other multilateral processes and global economic architecture?

Specific Questions:

I. Objectives for the London Summit:

I.A. In the run up to the London Summit, what are the issues of greatest importance to the host government?

I.B. Based on public comments made by host government officials, what are the country's likely objectives for the summit?

I.C. Are there desired outcomes that officials have identified publicly?

I.D. Based on public information, what recommendations or reforms might the host government suggest? For example, is the host government proposing changes to international financial architecture, reform of international financial institutions, or advocating the creation of new international bodies? Is the host government proposing additional regulation of financial products or institutions, making changes to existing regulatory standards, or advocating new best practices?

II. Impacts of the Global Financial Crisis:

I.E. What are the host government's greatest financial market concerns (providing more liquidity to financial institutions, dealing with bad assets, injecting fresh capital, improving housing markets, guaranteeing deposits, making trade finance available, etc.)?

I.F. What are the most important impacts on the host country's financial sector (what specific financial institutions have failed, which ones have had liquidity/solvency problems, has domestic lending to the corporate sector been affected, etc.)?

I.G. What initiatives has the government taken in response to the financial crisis (has the government rescued financial institutions, provided capital injections or credit lines, changed its deposit insurance guarantees, provided interbank

guarantees, established asset purchase programs, trade finance, etc.)?

III. The Broader Economic Crisis

IH. What are the most important impacts on the host country's real economy? What steps has the host government taken to mitigate the effects of the crisis?

II. What has been the impact on trade, trade finance, and employment in export-oriented sectors? Are there problems financing exports and/or imports? If so, in which sectors? How is the host government attempting to address these problems?

IJ. How has the crisis impacted the host government's outlook on trade and investment? Has there been a perceivable shift in how the government and population view the benefits of international trade? Are political pressures growing for protectionist policies? Are measures being taken or contemplated that would impose costs on other countries in an attempt to meet domestic needs (e.g., tariff hikes, import licensing or other trade restrictions on, or discrimination against, foreign investors)? Is the host government considering capital controls? On the other hand, is the host government considering easing investment restrictions in an effort to encourage foreign investment?

IK. Do financial sector/industry bailouts or stimulus packages have local preferences? Is the government acting to influence the value of its currency (for example, to improve export competitiveness)?

IV. Near-term Outlook and Political/Foreign Policy Ramifications

IL. How has the outlook for growth, inflation, the current account, exchange rates, and the budget deficit changed? What are the biggest economic challenges facing the host country in the coming months and year? How is this crisis expected to affect employment?

IM. What are the potential political ramifications for the host country? How might the crisis directly impact leadership? Is a change of government a possibility? What are the social and security ramifications of the crisis?

IN. Has the host government criticized and/or become significantly more critical of the United States for its role in the crisis or for provisions in the U.S. economic stimulus package (such as the "Buy American" provision)?

IO. How might the crisis affect host government foreign or security policy and U.S. interests?

IP. How might the crisis impact the host government's ability and commitment to sustain foreign assistance levels?

IQ. How might the crisis impact government support for global peacekeeping operations and commitments to NATO operations, e.g., in Afghanistan?

End Questions.

I6. (SBU) Action Request, Continued: Posts are requested to designate a primary point of contact who will provide responses to questions in paragraph four to Washington by OOB Wednesday, March 4 to allow Washington agencies to prepare for upcoming meetings. Posts are encouraged to reference any previous financial/economic reporting cables that may be helpful. Washington agencies would welcome Posts' input, either via cable or email, in the weeks leading up to the April 2 London Summit. Please slug replies for State/EEB/OMA Alex Whittington; Treasury/IMB Bill Murden, Wilbur Monroe, and Mary Beasley; as well as State regional economic policy offices. Please also email responses directly to WhittingtonAE@state.sgov.gov; HuffR@state.sgov.gov; BrownPA@state.sgov.gov; monroew@tsdn.treasury.sgov.gov;

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`beasleym@tsdn.treasury.sgov.gov;` and
`jhennessey-niland@nsc.eop.sgov.gov.`

¶7. (SBU) Department appreciates Posts' assistance with this matter.

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